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UNITED STATES OF AMERICA
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

Special Services Fees and Classifications

Docket No. MC96-3

PRESIDING OFFICER'S INFORMATION REQUEST NO. 2

(August 6, 1996)

The Postal Service is requested to provide the information described below to assist in developing the record for consideration of its request for classification and rate changes. In order to facilitate possible inclusion of the requested material in the evidentiary record, the Postal Service is to have a witness attest to the authenticity of each item provided and be prepared to explain, to the extent necessary, the content of each item provided. Please provide responses by August 16, 1996.

1. Witness Landwehr identifies the process for responding to Freedom of Information (FOI) requests to verify physical addresses as a resource intensive activity at the San Luis, AZ post office. Also, it is stated that between 80 and 100 such FOI requests are received every four weeks at San Luis. USPS-T-3, at 7, lines 16-20.

a. Please identify the source of these FOI requests by type of clients; e.g., federal agencies, state agencies, local agencies, foreign government agencies, private companies, or private individuals. Also, identify the approximate volume of requests associated with each source of FOIs identified.

b. On page 6 of USPS-T-3 (lines 13-14), witness Landwehr classifies the box holders of the San Luis post office as generally from one of three groups: local residents whose only delivery option is box services; migrant farm laborers; and Mexican nationals. Please provide information on the percentage of the FOI requests that involve box holders in each of these three groups plus any additional groups the Service considers noteworthy.

c. Please provide the average processing cost for the FOIs and describe how the FOI costs are treated in the Cost and Revenue Analysis (CRA).



d. Confirm that those generating FOI requests may be required to pay the expenses involved in processing the FOIs.

e. What percent of the costs attributed to processing the FOI requests is recovered from revenues generated by fulfilling the FOI requests and how are the revenues treated in the financial reporting systems of the Service and the CRA.

2. Witness Lion states: "Total costs attributed to post office boxes were approximately \$482 million for FY 1994." USPS-T-4 at 35. He separates this total attributable cost into the following three categories (000):

Space Support	\$193,493
Space Provision	179,233
<u>All Other</u>	<u>109,159</u>
Total Attributable	\$481,885

According to witness Lion, the All Other category represents "costs for sorting mail to boxes and related supervisory activities." However, the FY 1994 Cost Segments and Components Reports (page 20) shows no attributable mail processing direct labor (3.1) costs for post office boxes. LR SSR-12, page 61, indicates that sortation to boxes is an incoming secondary distribution.

Please explain what witness Lion includes in the "All Other" cost category. Also, confirm that costs for sorting mail to boxes is attributed to the type of mail being handled and not to post office boxes.

3. Question 2 of POIR No. 1 asked the Postal Service to describe the types of activities covered by Activity Code 5041. The Postal Service's response provided a definition for 5041 but did not describe the types of activities covered by this code. Please provide examples of the types of activities covered by Activity Code 5041. Also, provide examples of the types of activities covered by Activity Codes 6020 and 6030.

4. In response to POIR No. 1, question 6, witness Needham states that currently "customers at CPOs administered by Group I offices who are ineligible for carrier delivery of any type may nonetheless qualify for one Group II box." Does the

situation change depending on whether all customers are ineligible or only some customers are ineligible? For each of these scenarios, identify the fee groups to which customers ineligible for delivery will be assigned under the Postal Service's proposal and the number of box holders projected to be in each of these situations?

5. For the following scenarios, please identify the rates box holders currently pay and what group rate they will pay under the Service's proposal. Also, please provide the number of current box holders under each scenario and the projected after rate volumes.

- a. Customer ineligible for delivery at a postal operated Group I office.
- b. Customer ineligible for delivery at a postal operated Group II office with some customers eligible for route delivery. Please confirm that answer applies to Middleburg residents not on the rural routes.
- c. Customer at a postal operated office with no route deliveries. Please confirm that answer applies to all San Luis, AZ box holders.
- d. Customer ineligible for delivery at a CPO office when some customers of the CPO are eligible for route delivery and the CPO is administered by a Group I office.
- e. Customer at a CPO with no delivery routes serving customers of the CPO and the CPO is administered by a Group I office.
- f. Customer eligible for route delivery at a CPO administered by a Group I office.
- g. Customer ineligible for delivery at a CPO office with some customers of the CPO eligible for route delivery and the CPO is administered by a Group II office.
- h. Customer at a CPO when no delivery routes serve customers of the CPO and the CPO is administered by a Group II office.
- i. Customer eligible for route delivery at a CPO administered by a Group II office. Please provide the volumes pre and post rates by box size for this scenario.

6. Will Group E box holders have a choice of box sizes? If yes, will all box holders be charged \$0 independent of size. If yes, how will boxes of different sizes be allocated to customers when the cost for all boxes is \$0?

7. In response to POIR No. 1, question 9, witness Lion states 1,839,816 Group II box holders are located in offices which do not provide city or rural delivery. In USPS-T-1 WP C, page 2, the calculation of changes in estimated revenue assume that all Group II box holders are subject to the new Group D fee schedule and, after adjustment for the acceptance rate, are incorporated in the revenue calculations with Group D annual fees ranging from \$16 to \$500 depending on the size of box utilized. In response to POIR No. 1, question 11, witness Lion states that box holders in offices with no carrier routes of any type "...would find themselves in Group E under our proposal."

a. Please provide a distribution according to box size of these 1,839,816 Group II boxes.

b. Please confirm that these 1,839,816 Group II box holders without rural delivery options are included in the Group II revenue calculations in USPS-T-1 WP C, page 2. Please confirm that if all such box holders are distributed proportionally among the box sizes, that the projected revenue of these boxes is nearly \$35,000,000.

c. Please confirm that according to the response of witness Lion to POIR No. 1, question 11, that the actual revenue from the Group II offices without rural delivery options will be zero.

d. If 7.b and 7.c are confirmed, please discuss the apparent contradiction and over estimation of revenue due to the treatment of the Group II box holders without rural delivery. If 7.b or 7.c are not confirmed, please describe how the Service treats the 1,839,818 boxes in the revenue calculations.

e. If the estimates for the revenues for Group II box holders in USPS-T-1 WP C are incorrect, please provide revised revenue estimates.

8. Are there any circumstances under which a customer in a Group A, B, C, or D office may be ineligible for delivery service. If yes, describe the types of circumstances. Please provide the number of customers holding post office boxes in each of the types of circumstances identified. Please identify the fee groups to which these customers will be assigned under the Postal Service's proposal.

9. Based on the answers to POIR No. 1, questions 9 and 11, it appears that there will be some box holders not eligible for delivery who will receive free boxes while other box holders also not eligible for delivery will have to pay for their boxes. Please confirm whether this situation will occur and identify the number of such box holders in each of the proposed fee groups.

10. Please complete the attached Exhibits POIR 2-E1 and E2 by entering the number of boxes that currently are classified in each of the current combinations of office group and box price and the number of those boxes that will be classified in the proposed combinations of office group and box prices. Exhibit E1 is for the Group I and II offices. Exhibit E2 is for the Group III offices administered by Group II and Group I offices. Do not consider the effect of the proposed price changes; that is, assume the total count of boxes remains constant.

11. According to DMM section D930, firm holdout service is available free to customers receiving fifty (50) or more pieces of mail on the first delivery of each day. The section also explains that a form must be filled out and that postmaster approval is required. Please explain the following.

a. Under what conditions would a postmaster not approve a request for firm-holdout status and do these conditions carry implications for the approval of either caller services or post office box service?

b. Please explain the differences in mail processing between firm holdout mail and mail destined for caller service or box service, including an explanation of where "firm holdout" mail is held.

c. Under what conditions would a large customer (receiving over fifty (50) pieces per day) decline an option for firm-holdout status and prefer instead to pay for caller service or for a large post office box?

d. Using the costing approaches of caller service and/or box service, or any other cost approach thought suitable, please provide any cost information available on the cost of firm holdout service.

e. Please provide any information available on the relationship between the price of caller service and box service, and the demand for firm holdout status.


12. The own price elasticities for postal cards, certified mail and registry are listed in LR-SSR-101, spreadsheet CERTFORE.WK3, Cells B:D6...B:F9. Please provide the source of these elasticities.

13. Refer to before- and after-rates Fixed Weight Indices (FWIs) for Registered Mail in LR-SSR-101, Worksheet VOL35R94.WK3, cells A:Y116 and A:AA116, respectively.

a. Please explain why in developing the before-rates FWI, the Postal Service multiplies the "without insurance rates" times the "with insurance volumes" and the "with insurance rates" times the "without insurance volumes." A note attached to the referenced Worksheet states that listed rates are reversed from column heading but that it was not changed "due to the assumption that since this file was originated at the USPS headquarters they must have had some logical reason which is not obvious for reversing the rates the 2 series of columns." Please provide the reasons or modify the entries.

b. Please explain why in developing the after-rates FWI for Registered Mail, the Postal Service does not consider the proposed without insurance rate of \$4.85 applicable to letters valued \$100 or less.

14. In the response to Interrogatory OCA/USPS-T5-4, witness Patelunas states that the 17.6 percent decline in attributable costs per transaction for certified mail from FY 1994 to FY 1995 is the result of a relatively large increase in volume accompanied by a small increase in total attributable costs. Please expand on this explanation.


H. Edward Quick, Jr.
Presiding Officer

PROPOSED PO BOX PRICE SHIFTS

EXHIBIT POIR 2 E-1 CURRENTLY RENTED GROUP I & II BOXES DISTRIBUTED BY CURRENT PRICES & PROPOSED PRICES

			CURRENTLY RENTED BOXES DISTRIBUTED BY PROPOSED GROUPS & PRICES (Each Row Corresponds to Current Group/Price Classification)																				
GROUP	CURRENT PRICES	NUMBER	E \$0	D \$16	D \$26	D \$48	D \$70	D \$110	C \$50	C \$72	C \$130	C \$190	C \$300	B \$56	B \$82	B \$140	B \$218	B \$372	A \$60	A \$92	A \$160	A \$242	A \$418
III	\$ 2																						
II	\$ 8																						
II	\$ 13																						
II	\$ 24																						
II	\$ 35																						
II	\$ 55																						
IC	\$ 40																						
IC	\$ 58																						
IC	\$ 104																						
IC	\$ 172																						
IC	\$ 288																						
IB	\$ 44																						
IB	\$ 66																						
IB	\$ 112																						
IB	\$ 190																						
IB	\$ 310																						
IA	\$ 48																						
IA	\$ 74																						
IA	\$ 128																						
IA	\$ 210																						
IA	\$ 348																						
TOTAL NUMBER																							

PROPOSED PO BOX PRICE SHIFTS

EXHIBIT POIR 2 E-2 CURRENTLY RENTED GROUP III BOXES DISTRIBUTED BY CURRENT PRICES & PROPOSED PRICES

			CURRENTLY RENTED BOXES DISTRIBUTED BY PROPOSED GROUPS & PRICES (Each Row Corresponds to Current Group/Price Classification)																				
GROUP	CURRENT PRICES	NUMBER	E \$0	D \$16	D \$26	D \$48	D \$70	D \$110	C \$50	C \$72	C \$130	C \$190	C \$300	B \$56	B \$82	B \$140	B \$218	B \$372	A \$60	A \$92	A \$160	A \$242	A \$418
I Admin	\$ 2																						
II Admin	\$ 2																						
II Admin	\$ 8																						
II Admin	\$ 13																						
II Admin	\$ 24																						
II Admin	\$ 35																						
II Admin	\$ 55																						
IC Admin	\$ 40																						
IC Admin	\$ 58																						
IC Admin.	\$ 104																						
IC Admin.	\$ 172																						
IC Admin.	\$ 288																						
IB Admin	\$ 44																						
IB Admin	\$ 66																						
IB Admin	\$ 112																						
IB Admin	\$ 190																						
IB Admin	\$ 310																						
IA Admin	\$ 48																						
IA Admin	\$ 74																						
IA Admin	\$ 128																						
IA Admin	\$ 210																						
IA Admin	\$ 348																						
TOTAL NUMBER																							